

Medicare Part B Premiums: New Rules For Beneficiaries With Higher Incomes Frequently Asked Questions

2007



A new law is changing how Part B premiums are calculated for some beneficiaries. Currently, the government pays a substantial portion—75 percent—of the costs and the beneficiary pays the remaining 25 percent. In 2007, the government portion will be reduced for higher income beneficiaries who will begin paying a larger percentage of the premium. The law is expected to affect about 4 percent of Medicare beneficiaries, **so most people will continue to pay the standard premium**, without an income-related adjustment.

If you are affected by the new law, the information provided below should answer most questions you may have.

Which tax year will you use to determine my Income-Related Part B premium?

To determine your 2007 Part B premium, we use the most recent tax return information provided by the Internal Revenue Service (IRS). Generally, this information is for tax year 2005. For 2008, we generally will use your tax return information for 2006.

What if my income has gone down because I got married, divorced or my spouse died?

If your income has gone down due to any of these circumstances and the change will make a difference in the income level we consider, contact us as soon as possible to explain that you have new information and want a new decision about your Income-Related Part B premium. You will need to show us evidence of the event and provide proof or an estimate of your reduced income. Evidence of the event could be an original or certified copy of a marriage certificate, death certificate or divorce decree. Proof of the change in your income in 2006 could be a copy of your return for tax year 2006 or an estimate if you have not yet filed your 2006 taxes. If your income will not change until 2007, you can give us an estimate of what you think your income will be.

What if my income has gone down because I retired, stopped working or my insured pension plan went down?

If your income has gone down because you or your spouse retired, stopped working or reduced your work hours, or your insured pension plan stopped or went down, and the change will make a difference in the income level we consider, contact us as soon as possible. Tell us you have new information and want a new decision about your Income-Related Part B premium. You will need to show us evidence of the event and provide proof or an estimate of your reduced income. Evidence of the event could be a letter from your employer about your retirement or something similar. Proof of the change in your income in 2006 could be a copy of your return for tax year 2006 or an estimate if you have not yet filed your 2006 taxes. If your income will not change until 2007, you can give us an estimate of what you think your income will be.

Will a one-time increase in my income due to property sales or capital gains be considered when you determine my Income-Related Part B premium?

We generally consider your income from property sales or capital gains to determine your premium. To determine your 2007 Part B premium, we use the most recent tax information provided by the Internal Revenue Service (IRS). Generally, this information is for tax year 2005. For 2008, we generally will use your tax return information for 2006. We use your modified adjusted gross income (MAGI) to make this determination. Your MAGI is a combination of your adjusted gross income and tax exempt interest income.

(over)

Will a one-time increase in my income (for example, due to property sales or capital gains) affect my Part B premium forever?

No. Each year we request your most recent tax return information from the Internal Revenue Service (IRS). To determine the 2007 Part B premium, IRS generally provides information for tax year 2005. For 2008, IRS will generally provide information for tax year 2006. We use your modified adjusted gross income (MAGI) to determine your premium for one year. Your MAGI is a combination of your adjusted gross income and tax exempt interest income.

Your tax return for 2006 will reflect only your income for that year. So, if your premium increased in 2007 due to a one-time increase in your income in 2005, such as sale of property, it could decrease in 2008. Your 2008 Part B premium depends on your income for tax year 2006.

If I cashed in an IRA, will it be reflected in my Income-Related Part B premium?

If you cashed in an IRA in 2005, it could affect your 2007 premium. To determine your 2007 Part B premium, we use the most recent tax return information provided by the Internal Revenue Service (IRS). Generally, this information is for tax year 2005. We use your modified adjusted gross income (MAGI) to make this determination. Your MAGI is a combination of your adjusted gross income and tax exempt interest income.

To determine your 2008 premium, we generally will use your tax return information for 2006. Your return for tax year 2006 will reflect only your income for that year. So, if your premium increased in 2007 because you cashed in an IRA in 2005, it could decrease in 2008. Your 2008 Part B premium depends on your income for tax year 2006.

Can I ask for a new decision about my Income-Related Part B premium?

You can request a new decision and ask that we use more recent tax return information if:

- We used 2004 tax data to determine your 2007 premium and you have a signed copy of your 2005 tax return; or
- One of the following happened and the change will make a difference in the income level we consider:
 - You married;
 - You divorced or your marriage was annulled;
 - You became a widow/widower;
 - You or your spouse stopped working or reduced work hours;
 - You or your spouse lost income from income-producing property due to a disaster or other event beyond your control; or
 - Your or your spouse's benefits from an insured pension plan stopped or were reduced.

Once you show us evidence of the event and provide proof or an estimate of your reduced income, we will update our records and correct your Part B premiums back to the earliest time in the year you had Part B.

You can request a new decision and ask that we use more accurate tax return information if:

- You amended your tax return for the year we used to determine your premium and it changes the income we count;
- You provide proof from IRS of an error in the tax return information we used to make our decision; or
- Your tax filing status for the year we used to determine your premium was "married filing separately" and you did not live with your spouse at any time during that year.

Contacting Social Security

For more information, visit our website at www.socialsecurity.gov/mediinfo.htm, call us toll-free at **1-800-772-1213** (TTY **1-800-325-0778**) or visit your local Social Security office.

To learn more about Medicare Part B coverage, visit www.medicare.gov.